



Customer Collaborative Meeting

Financial Overview through July 27th, 2004

- **Several uncertainties are still in play for the remainder of FY04:**
 - The financial assumptions used for the 3rd Quarter Review assume reductions in late summer spill, which were previously estimated to increase revenue about \$20 to \$40 million. Spill reductions have since been enjoined by a federal court making realization of these revenue projections unlikely.
 - While gas prices remain strong, market prices for August & September remain uncertain.
 - Fish and wildlife direct program forecasts were reduced \$12 million from the 2nd Quarter forecasts based on an improved forecasting methodology. Experience from last year makes us cautious as to whether this reduction will be realized.
 - Forecasts assume continuous ENW Columbia Generating Station operation for the remainder of the year.



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- *Forecasted FCRPS Net Revenue is up \$154 million, with Modified Net Revenue up \$70 million from the 2nd Quarter Review forecast. Although FCRPS Net Revenue is up from August 28th Power Rate Case Workshop, FCRPS MNR remains below the workshop forecasts.*



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3rd Quarter Forecast Net Revenue compared to 2nd Quarter Forecast:

- Forecast **Revenues are up \$175** million from the 2nd Quarter Review forecast primarily attributable to SFAS 133 (\$85 million), and an increase in secondary sales caused by an increase in generation from reduced summer spill, now not expected to occur, and an increase in actual and forecast higher market prices.
- Forecast **Expenses are up \$21** million from the 2nd Quarter Review forecast due to an increase in other power purchases offset by a decrease in fish and wildlife and PBL interest expenses, and increases in TBL operating expenses offset by decreases in TBL interest expense.

3rd Quarter Forecast Net Revenue compared to the August 28th Rate Case Workshop:

- Of considerable importance for calculating the FY 2005 SNCRAC adjustments to power rates, the 3rd Quarter forecasts indicate PBL Modified Net Revenue is very close to the August 28th Rate Case Workshop (\$9million lower than the workshop).



Net Revenue

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3rd Quarter Forecast Modified Net Revenue Forecast:

The following information identifies the current PBL forecast impacts to the Modified Net Revenue which will serve as the basis for proposed changes to the FY '05 FBCRAC and SNCRAC:

3rd Quarter Forecast compared to 2nd Quarter Forecast:

- **PBL Modified Net Revenue is up by \$74 million**
 - Forecasted net secondary sales are up by about \$56 million, primarily due to an increase in generation assumed to be available from reduced summer spill, now not expected to occur, accompanied by a slight increase in the average annual weighted net sales price.
 - Forecasted program expenses are down primary in the areas of net interest expense, fish and wildlife and internal operations, offset by small increases in other categories.

3rd Quarter PBL Forecast compared to August 28th Power Rate Case Workshop :

- **PBL Modified Net Revenue is down slightly by \$9 million**
 - Actual and forecasted net secondary sales declined \$95 million from August estimates due to decreased generation caused by the reduction in annual hydro volume forecast from 134 to 110 maf, partially offset by the planned reduction of summer spill, now not expected to occur, and a \$9/MWh increase in the average annual weighted net sales price.
 - The reduced net secondary sales are almost completely offset by a total of \$86 million in actual and forecasted reductions of expenses in net interest, and internal operations, and forecasted changes in other categories.



Net Revenue

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- **The Third Quarter Review forecast of end of year Agency Reserves is \$630 million, an increase of \$137 million from the 2nd Quarter Review. Causes include:**
 - Increased Agency net revenue (\$70 million);
 - Deposits from 3rd party participants for financing various federal Agency energy efficiency projects (\$28 million);
 - Updated estimates of the amount of cash being sent to ENW through net billing (\$22 million); and
 - Other cash adjustments (\$17 million).
- **The Third Quarter Review forecast of end of year Agency Reserves is \$183 million higher than the August 28th Power Rate Case Workshop estimate. The increase is primarily attributable to actions that increased cash in FY 2004, but also increase cash outflows in FY 2005-6. Specific areas include:**
 - Increased reserves resulting from the ENW FY 2005 Debt Refinancing (\$55 million);
 - A reduction in the amount of the IOU Residential Exchange Deferral being repaid in FY 2004 (\$27 million);
 - Deposits from 3rd party participants for financing various federal Agency energy efficiency projects (\$44 million);
 - Transmission Contract Prepayments (\$45 million); and
 - Other cash adjustments (\$12 million).
- **Current increases in cash inflows and cash outflows in subsequent years will be reflected in the forward looking SN CRAC studies**